Remarks at a Town Hall Meeting and a Question-and-Answer Session on Health Care Reform in Wheaton, Maryland

June 8, 2010

The President. Thank you. Thank you so much. Everybody, please have a seat. Well, it is wonderful to see all of you. I want to thank Fran for that wonderful introduction, and I want to make a few acknowledgements before I make some opening remarks.

First of all, we've got one of the best Secretaries of Health and Human Services that we've ever had in Kathleen Sebelius. Please give her a big round of applause. I want to thank Governor O'Malley for joining us here today, for his terrific efforts. I want to acknowledge our wonderful senior Senator from the great State of Maryland—Barbara Mikulski is here. Ben Cardin couldn't be here, but he's wonderful too, so give him a round of applause. [*Laughter*] We got U.S. Representative Chris Van Hollen here and U.S. Representative Donna Edwards. And I wanted to just let you know, they fought hard on behalf of seniors and on behalf of this health care bill, and I could not be prouder to be joined by them.

I really want to thank Fran for sharing her story with us. I want to thank everybody who's joined us here at the Holiday Park Senior Center. And there are a lot of people who are listening and watching all across America, so I appreciate all of you as well.

I'm looking forward to taking some of your questions, but first, what I want to do is say a few brief words about the Affordable Care Act that we passed a couple months back and what it means for America's seniors.

It's hard to imagine today, but just two generations ago, millions of our seniors went without basic health care coverage—millions. It wasn't right. It wasn't reflective of our values and who we are. So rather than allow that reality to continue, we made a promise to America's seniors that you can live out your golden years with some basic peace of mind and health coverage that you can count on. That was the promise of Medicare.

Now, the Affordable Care Act renews and strengthens that promise. This new law recognizes that Medicare isn't just something that you're entitled to when you reach 65, it's something that you've earned. It's something that you've worked a lifetime for, having the security of knowing that Medicare will be there when you need it. It's a sacred and inviolable trust between you and your country. And those of us in elected office have a commitment to uphold that trust, and as long as I'm President, I will.

Now, that's why this new law gives seniors and their families greater savings, better benefits, and higher quality health care. That's why it ensures accountability throughout the system so that seniors have greater control over the care that they receive. And that's why it keeps Medicare strong and solvent, today and tomorrow.

Now, you've just heard Fran's story. When Fran was diagnosed with breast cancer, the cost of her medication surpassed the Medicare Part D coverage limit, but it didn't reach the catastrophic coverage threshold. So she found herself in this coverage gap called the doughnut hole, where she was forced to pay the entire costs of the medicine she needed out of pocket. That came to thousands of dollars, forcing her and her husband to cut back everywhere else.

And I think everybody here understands Fran's story is not uncommon. I've heard others like it all across this country, and I read them—read about it when I read letters from so many of you at night. Those stories—your stories—are why we passed this law in the first place, to ensure that we don't have to keep on telling this same story.

Now, this debate got pretty contentious at times last year. I think you remember. [*Laughter*] And just when you were looking for accurate information about what this reform would mean for you, there were a lot of opponents of health care reform generally that sought to deny you that information. And they ran some pretty nasty rumors in hopes that it would scare folks. I know that's hard to imagine in politics—[*laughter*]—but that's what happened.

And we had seen it before. In the 1930s, when more than half of our seniors couldn't support themselves and millions saw their savings vanish, there were a number of opponents who argued that Social Security was going to be socialism. In 1965, plenty of folks warned that Medicare was going to lead to a Government takeover of the health care system—same argument that was made earlier this year and last year. We found out that those warnings had no anchor in reality, and neither do the hysterical claims about this law.

So here's the truth: First and foremost, what you need to know is that the guaranteed Medicare benefits that you've earned will not change, regardless of whether you receive them through Medicare or Medicare Advantage. Your guaranteed benefits will not change. Eligibility won't change. Medicare will continue to cover your costs the way it always has. If you like your doctor, you can keep your doctor. In fact, we're taking steps to increase the number of primary care physicians so that seniors get the care that they need. And I'm committed to reforming the way in which we compensate doctors under Medicare, because right now it doesn't make any sense. I don't think—some of you may be aware of the fact that we've got this patchwork system where Medicare doctors each year have to see if they're going to get reimbursed properly or not. And we've got to change that, and that's something that I'm committed to doing. And I'm going to keep fighting for doctor pay that is more cost-effective and efficient, and I urge Congress to pass a short-term fix today, and then we need to fix this thing over the long term tomorrow.

So those are the facts. What you'll see through this new law are new benefits, new cost savings, and an increased focus on quality to ensure that you get the care that you need. And we're moving quickly and carefully to implement this law so that you begin to see some of these savings immediately.

Case in point: Beginning this week, tens of thousands of seniors who fall into the doughnut hole, like Fran, will receive a $250 rebate check to help you cover the cost of your prescriptions. That will happen immediately; that's starting now. Each month—[*applause*]—and what's going to happen is, each month, as more seniors hit the doughnut hole, more and more checks will hit the mail, helping more than 4 million seniors by the end of this year. Now, beginning next year, if you fall into the coverage gap, you'll get a 50-percent discount on the brand-name medicine that you need—50 percent. And by 2020—it's being phased in, but by 2020, this law will close the doughnut hole completely. The doughnut hole will be gone. It will be gone.

Now, that's not all. Beginning next year, preventive care—including annual wellness visits for Medicare beneficiaries, certain screening services like mammograms—will be free, because the best way to prevent a serious illness is to diagnose it early.

This law also gives us the power to see to it that insurance companies don't raise your rates just to pad their profits. Last week, Secretary Sebelius reminded insurance companies that we've got the authority to review and reject unreasonable rate increases for Medicare Advantage plans, and she put them on notice that we will exercise that authority.

Finally, because seniors are more frequently targeted by scam artists, we made sure the new law gives us stronger tools to target criminals. And I want to send a notice to all who would swindle and steal from seniors and the Medicare system: We are going to find you, we will prosecute you, and we will ultimately prevent those crimes from happening ever again.

Part of the reason this is so important is because we've been receiving some outrageous reports from around the country of people to try—trying to scam seniors out of Medicare. They'll call asking for a Medicare number or a Social Security number or bank account information, claiming it's necessary to reenroll in Medicare or to sign up for new Medicare cards. Some even go door to door, claiming they're selling new Government policies. It's appalling, and it's infuriating, and we're going to put a stop to it. And that's why today I want to announce a couple of tough new efforts to protect seniors.

At my direction, Secretary Sebelius and Attorney General Holder have expanded efforts across the country to vigorously crack down on criminals who seek to take advantage of seniors and of taxpayer dollars. We've established a joint Health Care Fraud Prevention and Enforcement Action Team, also known as HEAT. [*Laughter*] Yeah, you like that—HEAT. This task force is already focusing on certain cities with high rates of questionable Medicare expenses and charged several individuals with fraudulent billing. In addition, they'll continue a series of summits in cities across America with high rates of Medicare fraud, beginning next month in Miami. At these summits, they'll work with State and local officials, health care providers, and others that seniors rely on most to increase awareness of fraud and share information and expertise in identifying fraud.

And finally, we're going to reduce by half the amount of waste, fraud, and abuse in the Medicare system, protecting your Medicare and the American taxpayer's money. In fact, we're looking to eliminate waste everywhere we can. Earlier this morning my Budget Director, Peter Orszag, laid out our new effort to cut wasteful spending across Government, including asking all agencies to identify their worst-performing programs as we put together the next Federal budget.

So that's what this law does. Now, having said that, there—some of the folks who were against health reform in Congress, they still think that none of this should have happened. They don't think you should be getting these rebates, don't think we should be closing this doughnut hole. In fact, you have an entire party out there that's running on a platform of repeal.

They want to roll back all these reform efforts. They say they have their own plan, but over the last 14 months of debate, they never seriously advanced it. And when you look at it, you can see why. They'd roll back the rebate to help you pay for your medicine if you fall in the doughnut hole. They'd roll back the free preventive care for Medicare recipients. And then, away from seniors, they'd roll back all the insurance provisions that make sure that insurance companies aren't cheating folks who are paying their premiums.

Their plan would let insurance companies continue to deny folks coverage when they get sick. They'd do little to make insurance more affordable. They'd gut the existing consumer protections. They'd put insurance companies back in charge. And some have even filed

legislation that would end Medicare as we know it, giving every senior a voucher for health care instead.

Now, I refuse to let that happen. We're not going back; we are going to move forward. That's why I was elected.

So all told, the Affordable Care Act is a law that keeps America's promise to our seniors. And it extends that promise to your children and your grandchildren and your great-grandchildren, because in recent years, we've arrived at one of those moments where we needed to make right a longstanding wrong. Millions of middle class Americans watched our employer-based health care system fray along the edges, leave a lot of people out. A lot of people didn't have Medicare or qualify for Medicaid. They fell into terrible situations. And we decided we were going to stand up, as we've done so many times before, to make sure that everybody got a fair shot. And we're a better nation for it.

And once this reform is fully in effect, middle class families are going to pay less for their health care. Taxpayers won't have to pay higher premiums for trips to the ER by uninsured Americans. Businesses are going to get help with their health care costs; in fact, small businesses are already learning they're eligible for tax credits to cover their workers this year. And the worst practices of the insurance company will end so that they can't deny you coverage because you got a preexisting condition or because you happen to get sick and suddenly they decide it's not convenient to cover you. So this law looks out for future generations by doing more to bring down our long-term deficits than just about anything that we could do.

And in the end, this debate was about whether we're still a nation that keeps its promises to our seniors and gives all of our citizens—not just some of them, but all of them—a chance to reach their dreams. It was about whether we're still a people that are able to meet big challenges. And I'm proud to say that the answer to each of those questions was yes. And as long as I'm President and I've got great allies like the Members of Congress who are here, then this is going to be a promise that America continues to keep.

So thank you very much, everybody. And now I want to take some of your questions. All right. Let me make sure my mike is working. [*Laughter*] Okay.

Secretary of Health and Human Services Kathleen Sebelius. Well, as I told you——

The President. Secretary Sebelius is going to be like Oprah; she's going to run the show here. [*Laughter*]

Secretary Sebelius. But I can't give away cars, I'm afraid. [*Laughter*] So as I told you before, we have lots of people listening from around the country and a number in here, I know, who want to ask questions. So we'll take the first question from the audience.

Yes, ma'am—and if you would say your name and then ask your question to the President.

Medicare Reform

Q. Good morning, Mr. President.

The President. Good morning.

Q. I just joined the Medicare——

Secretary Sebelius. Can you tell us your name?

Q. Yes, I can do that. [*Laughter*] Marikay Crangle, and I live in Arlington, Virginia. I just became eligible for Medicaid 4 weeks ago, and I've joined the program. My question is about——

The President. For Medicare or Medicaid? I want to make sure—Medicare?

Q. Medicare.

The President. Yeah.

Q. Did I say Medicaid?

The President. Uh-huh.

Q. Oh, sorry.

The President. That's okay. [*Laughter*]

Q. Medicare. My question is about the doughnut hole. I think all of us appreciate the $250, and I think that will help a lot of folks. But my concern is that it's taking so long. Why 10 years to close the hole completely?

The President. Well, here's what's happening. Essentially, we're going to be phasing this down. And I'll be honest with you, it's just a matter of money. It's very expensive to close this doughnut hole. When the prescription drug plan was originally passed—frankly, we shouldn't have had a doughnut hole in the first place, but once that hole was created, then each year, the budget was assuming that doughnut hole was there. For us to close that right away would have blown a hole through the budget.

So essentially what we said is, how do we provide some immediate assistance to seniors who are falling into the doughnut hole, and then how do we ratchet down the cost to seniors each year so that by the time we get to 2020, the doughnut hole's completely eliminated?

In the meantime, though, as I said—I want everybody to be clear here—you will immediately benefit, first from the $250 check that you receive. Next year, we then phase in 50-percent discount on the prescription drugs that you're paying. And each subsequent year, what you're going to be seeing is, is that the costs are going to be continually reduced.

Now, part of what we still have to do is we still have to work with the drug companies to reduce just the cost of prescription drugs generally. And this is something that Secretary Sebelius takes very seriously. Are there ways that, for example, we can get generics on the market quicker? Are there ways that we can make sure that the patent laws don't prevent new products from getting to the market the way they should? Are there ways that we can do a better job negotiating for better prices? So there are going to be a whole host of things that we're going to be doing. It's not like we're going to be standing still during this 10 years. But what this law does is it guarantees that help and makes sure that a decade from now, it's going to be completely eliminated.

Secretary Sebelius. Thank you, Mr. President. My understanding is we have folks standing by around the country. So the next question will come from the audience. Operator?

Town Hall Telephone Operator. Thank you. Your first call is from Barbara Franklin from Rantoul, Illinois. Barbara, please ask your question.

The President. It's like magic. [*Laughter*]

Medicare Benefits/Medicare Reform

Q. Mr. President, my name is Barbara Franklin. I'm president of the Illinois Alliance for Retired Americans. My question is, will the reduction in subsidies to Medicare Advantage plans cause these companies to reduce coverage to senior plans?

The President. Well, it's a great question. Where are you calling from in Illinois?

Q. Rantoul, Illinois.

The President. Rantoul's a great town. [*Laughter*]

Q. Yes. [*Laughter*]

The President. Tell everybody back home I said hi. [*Laughter*]

Q. I sure will.

The President. This has been an area where probably there's been the most misinformation and concern, after the death panels. [*Laughter*] Remember those?

For those who are not familiar with it—and I want to make sure that I explain this as clearly as possible—Medicare provides a guaranteed benefit. And then a while back, a law was passed saying we're going to have a program called Medicare Advantage, in which we pay insurance companies to provide Medicare benefits. All right? So the insurance companies are supposed to manage these Medicare benefits.

There are examples of where Medicare Advantage has been a good deal for some seniors. But overall, what happened to the program is, is that insurance companies were getting paid, on average, a thousand dollars more—a thousand dollars more than the costs of regular Medicare. Okay?

Now, by law, these insurance companies were supposed to be providing additional benefits and better services for this thousand dollars. But a lot of it ended up going to their profits and CEO bonuses and their bottom lines. What's more was you—if you weren't signed up for Medicare Advantage—were still paying higher premiums for somebody else's Medicare Advantage. If you're in regular Medicare, which is about 77 percent—so three out of four of you who are in Medicare are signed up for regular Medicare, and one out of four of you are signed up for Medicare Advantage—those of you who aren't in Medicare Advantage, you're actually paying a higher premium for that extra thousand dollars going to the insurance companies.

Well, that didn't seem like a good deal. That doesn't seem fair. So here's what we did under the law. What we said was, you can maintain Medicare Advantage, but we are going to say to the insurance companies that you can't use this just to pad your profits or to pay higher CEO bonuses. Eighty-five percent of what you spend has to actually be for health services. We're going to review the rates that are applied. We're going to set a rate that is fair and appropriate so that Medicare Advantage isn't costing people who aren't in Medicare Advantage.

So those are the changes that we've made. Now, that is, by the way, where we are obtaining a number of the savings in Medicare; it's by eliminating some of these insurance subsidies that were unnecessary for the program. But we have not eliminated Medicare Advantage, and insurance companies can still make money operating a well-managed Medicare Advantage program that helps to manage and coordinate the prescription drugs and the dental and all that stuff. So for administrative convenience, Medicare Advantage may still end up

being a useful program for some people. We just want to make sure that that money is not just a big giveaway to the insurance companies.

And this was costing Medicare, overall, I think, around 17 to 18 billion dollars every year. That's billion with a "b," right? So part of the way that we pay for the improved benefits and doughnut hole is to say, we're going to take some of that money from the insurance companies—and they'll still be able to make money. And they're—so seniors who are under a Medicare Advantage plan that is doing a good job have nothing to worry about. If you're signed up for a Medicare Advantage program that is wasting money, then we're going to be just telling those insurance companies, you got to stop wasting the money. And that, I think, is something that everybody expects us to do, is overseeing a program so that it lasts over the long term.

Anything you want to add there, Kathleen?

Secretary Sebelius. I think the President did a great job answering that question. Is there—let's take the next one from the audience. Sir, in the back.

Primary Care Physicians/Medicare Reimbursement

Q. My name is Pat Conover, I'm 69 years old, and I have heart disease, high blood pressure, and incurable fast-growing prostate cancer. I have a couple of other chronic conditions and special concerns as a transgender person. And in addition, I'm allergic to some of the drugs that would most be used to treat my conditions. I'm actually doing the wise things for myself, and I'm still productive in several ways. One of the big reasons for my sustained good health is my primary care physician, Dr. Gail Povar. In addition to being a good doctor, she is an outstanding advocate in coordinating for my sometimes complex care. I believe significantly more money can be saved in Medicare by directing more resources to primary physicians for coordination and patient advocacy, and less to the complex organizational programs that have the same purpose. Instead of buying expensive football teams, what we need is more archers. [*Laughter*]

The President. Well, let me—I'm not going to comment on football—[*laughter*]—because the—are most people around here Ravens fans or Redskins fans?

Audience members. Redskins!

Audience members. Ravens! [*Laughter*]

The President. I mean, I'm just not—I just wanted to make sure. [*Laughter*] You know, I don't know. See, this is why I didn't want to talk about football. [*Laughter*]

Audience member. [*Inaudible*]—Navy.

The President. And we got a Navy person here, right here. [*Laughter*]

This issue of primary care physicians is absolutely critical, and it has the promise of making such a big difference in the overall health of everybody, from children to seniors. It used to be that most of us had a family doctor. You would consult with that family doctor. They knew your history, they knew your family, they knew your children, they helped deliver babies, they—and as a consequence, what happened was, is that everybody got regular checkups and could anticipate a lot of the problems that are out there.

Now, in these big medical systems, so often what happens is, is that you're shuttled around from specialist to specialist. Oftentimes people don't have a primary care physician that they're comfortable with, so they don't get regular checkups, they don't get regular consultations,

preventable diseases end up being missed, and you don't have the kind of coordination that's necessary between all these different specialists, right?

So you go to one doctor; they take a test. Then you go to the hospital; they have you take the same test. A lot of errors occur because there's not communications between these various specialists. And it adds a lot of cost, because each time that test is being taken, they're charging Medicare if you're on Medicare, and if you're not on Medicare, they're charging the insurance company. And that is part of what is adding to all these costs.

So what we've been trying to do—and this was a major focus of the health reform bill—is, how do we get more primary physicians, number one, and number two, how do we give them more power so that they are the hub around which a patient-centered medical system exists, right?

And—first step is getting more primary care physicians. I mean, sadly, a lot of young medical students, they'd love to go into primary care, but primary care physicians don't get paid as well as specialists. So they say to themselves, you know what, I don't want to—I've got all these medical school bills that I got to pay; I've got to become a plastic surgeon or something. And so part of the bill was to, through loan forgiveness programs and other mechanisms, make it more enticing for young medical students to go into primary care, build up the pool of primary care physicians.

Number two is increasing the reimbursements for primary care. Right now you've got a situation where if a primary care physician says to a patient, you know what, you need to lose some weight because you're at risk of diabetes, and I've got a good exercise program that makes sense, and here's a dietician that you should talk to, sometimes Medicare may not reimburse that consultation. But they'll reimburse the $30,000 foot amputation because—after somebody gets the disease.

Well, that doesn't make sense. So changing our reimbursement system to encourage preventive care and encourage what primary care physicians do is probably going to be the single most important thing that we can do to assure that you and those of you who have good primary care physicians continue to get that kind of care.

Last point I'll make—and I just want to go back to this point that I made during my remarks—about a decade ago, I guess—and, Barbara, correct me if I'm getting the timing wrong—but about a decade ago, Congress—not our Congress but a previous Congress—[*laughter*]—made the decision that the way we were going to actually cut Medicare—or cut the rising costs of Medicare was to say to doctors and providers, we're going to cap you at a certain level, and if you don't, tough luck.

And in theory, it sounded good, but it wasn't very well thought through. And so what happened was, each year, costs for doctors went up and the reimbursements didn't. And eventually, it got so bad that Congress then started saying, you know what, this isn't realistic. So each year, they'd kind of do a patchwork fix on this thing. And the formula for reimbursing Medicare doctors would be adjusted, but it would only be adjusted for a year or adjusted for 2 years. But it wouldn't get adjusted permanently.

And what's happened is, over time, it's built up so that now each year, you end up having this emergency where unless Congress passes a bill right away, suddenly Medicare doctors are going to get a 21-percent cut in their reimbursements because all that health care inflation had built up over time. Well, we're now in this situation again. And we've got to fix this permanently.

Now, in the meantime, temporarily, we got to make sure that your doctor is getting reimbursed so that they can stay in business and keep their doors open. And my administration has worked very closely with doctors to try to see if we can get this fixed short term, but ultimately we're going to have to get it fixed long term.

What we want is a system where doctors are reimbursed for the right things: We want them reimbursed for quality; we want them reimbursed for how good care you can get—you're giving patients. We don't want doctors just to be reimbursed for how many tests they do or how many procedures they do, because sometimes that may mean that they're not giving the best care. We want quality, not quantity.

So there are adjustments we need to make over the long term in how we reimburse doctors. But what we shouldn't do is have this guillotine hanging over their heads every year, where they're having to figure out, am I am going to get reimbursed or is suddenly my income going to drop by 20 percent? Because what will happen is more and more people will say, I don't want to be a Medicare doctor; I don't want to be a primary care physician for somebody on Medicare because it's going to make my income unstable. That's something that we've got to fix.

Okay?

[*At this point, Secretary Sebelius made brief remarks, concluding as follows*.]

Secretary Sebelius. Operator, if you are still there—it's hard because we can't see, so I assume you're still there—is there another question from the audience listening in?

Town Hall Telephone Operator. Your next call is from Barbara Call from Denver, Colorado. Barbara, please ask your question.

Assisted Living Choices for Senior Citizens

Q. Mr. President, this is Barbara Call.

The President. How are you?

Q. I'm a participant of—[*inaudible*]. I would like to have you answer a question.

The President. I'm all ready.

Q. Okay. For needing health care reform, I am concerned about how any health care changes will impact seniors and choice around alternatives to having to go live in a nursing home. My friends and I want to live independently.

The President. Well, it is a great question, and let me just say, you sound like a woman after my grandmother's heart—[*laughter*]—because she—some of you know my grandmother passed away a couple years ago. She helped raise me, so I was very close to her. And she lived in Hawaii, and when—after my grandfather passed away, she had the same little apartment she had had when I had been growing up over there. And we kept on trying to say, you know, listen, why don't you move to Chicago? And she said, "What am I, an idiot"—[*laughter*]—"that I am going to trade 80 degrees and trade winds for Chicago winter?"

But she was always very proud and insistent. And until the end of her life, she insisted on making sure that she could live in her apartment. And there are all kinds of different options for different people. The key is we want to give choice to seniors, what's best for them. Some people love living in a retirement facility. Some people want to stay in their own house. Some

people want a mix of options, and so if they can get some help that comes in, that may be the best option.

And what we tried to do, not just in this law, but what we're trying to do generally—and I want Secretary Sebelius to fill in some of the specifics on this—is to increase the number of options that are available for people and make sure that we are reimbursing through Medicare not just for the traditional choices of, if you're in a nursing home, then you're going to do it one way or another—but are there other ways that people can get maybe a nurse who comes in or maybe somebody who's cleaning an apartment for—once a week. That's what my grandmother did, for example. And it made all the difference, because she couldn't always reach to some of the places—Barbara's all nodding; she can relate to that. [*Laughter*]

So those are the kinds of innovations and flexibility that we want to introduce into the system. Some of this will be facilitated by the new law; some of it will be facilitated by the ongoing improvements that we want to institute over the next several years. So it's not going to happen all at once, but—go ahead.

[*Secretary Sebelius made brief remarks.*]

The President. Good.

Secretary Sebelius. Yes, sir. And, again, if you would say your name, that would be great.

Health Care Reform/Medicare/Social Security

Q. I'm Ben Williamowsky. I'm a senior citizen who lives in Maryland—Silver Spring, Maryland. And I want to thank——

Secretary Sebelius. Nice to see you again, Doctor. It's lovely to have you here.

Q. Nice to see you. And I want to thank Secretary Sebelius and the President for allowing me the opportunity to be here and ask this question. And I'm asking it more on behalf of my children, who are in their late 50s and 60s, and my grandchildren and my great-grandchildren. But I have heard from some of my friends who are—who spread the myths, who are against the health care bill no matter what it says. Of course, they were—told me about the death panel, of course, which is now dead. [*Laughter*]

But the—one of the things that they bring up—and I heard this same argument in 1965—that with providing Medicare—at this point, we may not be concerned with this at our ages, but our children may be—that we will soon, with the program the way it is, that Medicare and Social Security will soon run out of money. Now, I'm—as I say, that concern is not so much for me at my age, but for my children and their children.

The President. Well, it is a wonderful question, so let me talk just about the finances of the health care bill, Medicare, and I'll throw in Social Security in there.

We have a genuine long-term problem. And I can describe it very simply: We've got a population that's getting older. So you're going to see a bulge in the number of people who are using Medicare and Medicaid—more recipients, fewer workers to support those programs. We've got more money going out and less money coming in. And that's going to worsen over time.

Now, that has nothing to do with the health care bill. That has to do with the fact that we've got an aging population and health care inflation—the cost of—the additional cost of health care each year is going up much faster than overall inflation and how fast wages and

taxes, et cetera, are growing, right? So you've got this gap between how much we're going to need for Medicare and Social Security versus how much is actually coming into the programs.

That has to be fixed. Now, one way to fix it would be to just say, we're just going to cut benefits. If there's going to be a gap between how much Medicare is going to cost and how much we actually have, we just say, you know what, each of you, we're going to have to eliminate some benefits. You get less—fewer prescription drugs. You got to pay higher copays. You got to—certain procedures won't be covered or maybe some people won't be covered or we'll raise the eligibility when you qualify for Medicare. I mean, there are a bunch of adjustments that could be made that essentially come down to cutting benefits. That's one way of dealing with rising costs of Medicare.

Another way, which we think is the smarter way, is to say, where are we getting good value for our money? Where are we not getting good value for our money? How can we design Medicare so that we're reducing the costs going—that are skyrocketing, but people are actually getting better care? Are there ways that we can do that?

For example, can we have one test instead of five tests—have that one test e-mailed to everybody so that Medicare's not paying for five tests? Can we arrange so that because we've got a good primary care physician, you make one visit to the doctor's office, and all the specialists come to that one office, as opposed to you having to make five different visits? Are there ways in which we can use best practices for certain diseases so that we're catching them sooner—it's cheaper to care for than when you've really gotten sick?

So what we tried to do in this health care bill is actually see how can we make the health care system as a whole smarter, more efficient for everybody, including young people—not just for seniors, because obviously health starts—the healthier you are when you're younger, odds are the healthier you're going to be as you get older. So are there ways that we can—through preventive care, better efficiencies, better management—make the health care system overall more effective? Because if we can do that, then that starts controlling the costs of Medicare, and it won't go bankrupt as quick.

A lot of those changes are what we introduced in our health care bill, okay? Now, in addition, the health care bill overall, because of us eliminating some of those subsidies to insurance companies that I mentioned, actually are going to save a billion—or a trillion dollars out of our deficit over the long term. A trillion—that's with a "t." That's a lot of money.

So when you hear arguments out there that, well, you know what, we couldn't afford this health care bill, folks who are saying that, they didn't read the bill, because according to the Congressional Budget Office, this will actually reduce the deficit, reduce costs by making the system smarter, making it more efficient. That, in turn, means that Medicare will be there longer.

Now, the one thing I want to say about both Medicare and Medicaid, though: This health care bill alone doesn't solve all our problems, and I don't want to overadvertise. The truth of the matter is, it's very hard to change a health care system that involves millions of patients, tens of thousands of doctors, hospitals, all those systems all across the country; trying to manage that all from the top is just too hard.

What we try to do is create new incentives, find who's doing the best job treating what, advertise those best practices so that other people start adapting them, and over time, that trickles throughout the system so that the system overall gets more efficient. That's what we're trying to do, and that's going to take some time. It's not going to happen overnight. It's going to

happen over the course of a decade, maybe two decades in some cases, before we're actually going to be able to solve this problem overall.

But what I want you to tell those friends of yours is that the long-term fiscal implications of Medicare, the only way to fix those are to, what's called, bend the cost curve, make health care more efficient.

The other alternative, which is often the one that is presented by our Republican colleagues, is to essentially voucherize the system. I mean, that's been the main proposal that they've got that was presented during this debate in terms of saving Medicare. And what that basically means is, you know what, we're going to give you a set amount—let's just hypothetically—we'll give you $5,000; you go buy your own health insurance on the private market instead of getting Medicare.

But think about it. What happens—you get $5,000, and it turns out the costs are $10,000? That comes out of your pocket. And then the next year, the costs are $12,000, and maybe they gave you an adjustment on—inflation adjustment, so now you get $5,500, but the cost for the same quality care you're getting under Medicaid is $12,000.

I mean, there's an easy way to make it look like you're solving the problem: You just dump it on other people. And what we're trying to do is actually solve the problem by making the health care system more efficient. That's going to be harder, but it's fairer, it's more just, it's going to keep the commitment and the promise of Medicare for years to come. Okay?

Secretary Sebelius. Thank you, Mr. President. Operator, we have time for one more from the world out there. [*Laughter*]

Town Hall Telephone Operator. Your next question comes from Dennis Yurkas from Las Vegas, Nevada. Dennis, please go ahead and ask your question.

Continuation of Health Care Coverage/COBRA/Health Care Reform

Q. Mr. President——

The President. Hi, Dennis.

Q. How are you, sir?

The President. Good.

Q. I am a retiree who's a member of the International Union of Painters and Allied Trades who is currently drawing my health insurance from COBRA. Since the Federal subsidy for my employer is in danger of being discontinued, and I have confirmed my former employer will not offer COBRA if the subsidy is discontinued, what am I supposed to do, and how does the new health care law help me now to get health care, especially since my wife is dealing with some very serious health issues?

The President. Dennis, can I just ask you the—so you don't yet qualify for Medicare; you're getting COBRA because your employer is not—you're not on the job right now, is that what's going on?

Q. Correct.

The President. Okay. The—well, here's what happened, is because of just this terrible recession that we had, we knew that a lot of folks were going to be losing their jobs. I mean, when I took office, 750,000 people per month were losing their jobs. We're now—because of the Recovery Act, the great work that Congress did—we're now gaining jobs again every

month, but we have that 8 million job hole that was created because of the recession, and that's going to take some time to fill. So you've got a lot of people like Dennis out there—people in construction, people in the trades—a lot of folks who were laid off, who not only are struggling to pay their bills, but they were in danger of losing their health care because they got it through the job.

Now, there's been a program around for a long time called COBRA—some of you know about it. The idea is that you're, by law, allowed to keep your health insurance even if you lose your job, just by paying the premiums. Here's the catch, though: If the premiums are $1,000 a month, you weren't paying those; now you've lost your job, so you've got even less money. A lot of people couldn't afford COBRA.

So one of the most important things we did in the Recovery Act—and a lot of people don't realize this, but this was hugely important to so many Americans, including Dennis, as you just heard—was through the Recovery Act, we said that we are going to subsidize 65 percent of the costs of what your premiums were so that you can keep your health insurance even as you're looking for a job and trying to get back on your feet. So if your premium for your family was a thousand dollars a month, now it only cost you $350 a month.

We have sustained that for a year and a half now, and we think it's important to sustain it for at least another 6 months because there's still a lot of folks who are out of work. The economy is improving, but the unemployment rate is still high. This is being debated in Congress right now.

And so, Dennis, the answer is, what we need is to make sure that Congress follows through on its commitment to go ahead and maintain COBRA until people are working at a higher rate again.

Now, that's not a long-term solution to Dennis's question, though. The problem is that for a lot of folks like Dennis, once COBRA ran out, before this crisis and before the Recovery Act, they were just out of luck. If you didn't have a job, you didn't have health insurance, because buying health insurance in the private marketplace as an individual is prohibitively expensive. If you don't—if you're not part of a big pool that can negotiate with the insurance companies, they jack up your rates; you're paying 20 percent more or 30 percent more than you would be paying if you were working for a big company.

In some cases, if you got a preexisting condition, you just can't get health insurance at all. Some of you have been through this. Some of you, if you haven't yet qualified for Medicare, are going through it right now. There are a lot of early retirees who aren't yet qualified for Medicare, but they've lost their job; they've got enough savings to support themselves, but they don't have enough savings to be paying these huge medical bills.

So the whole idea behind the health reform bill was, let's put you in a pool so you get the same leverage that somebody else does. Let's—even if you're on your own or you're a small-business owner, let's give you the same negotiating power that somebody who works at Google has, so—or another example, if you're a Federal worker, you're a part of a pool, and you get a great deal.

So the way the health care bill is structured is this: If somebody like Dennis—even after COBRA is—he's no longer eligible for COBRA, somebody like Dennis could sign up to be part of a pool where they got the best, lowest rates possible. Kathleen Sebelius, as Secretary of Health and Human Services, would be overseeing what these policies were that were offered. You'd have a choice of plans. It wouldn't be one size fits all. If you were—had—if Dennis had a

bigger family and he had—he mentioned his wife, so he wanted to have a certain kind of better insurance, he could pay a little bit more. If he was young and single and feeling healthy, he could have a cheaper version. But the point is, he'd get the benefit of being part of this big pool. That's the main concept behind this health care reform bill.

If you still couldn't afford it—and there's some people who—if they're making minimum wage, they're not making a lot of money, they still couldn't afford the premium, even though it's a much better deal than what they could get on their own, then we're going to provide tax credits, provide subsidies to help people pay for their insurance.

Now, all of this doesn't go into effect until 2013. And I'll anticipate the question earlier—how come it's taking so long? [*Laughter*] In this case, it's not just a question of money, it's also a question of just setting it up right. I mean, we're talking about 30 million people suddenly getting insurance. That's—you've got to set it up in a way that is efficient, isn't subject to fraud. So we had to phase that in to do it right over a certain number of years.

But the key is, by 2014, which is right around the corner, what you're going to see is a situation where somebody like Dennis, even if his COBRA eligibility has lapsed, he's going to know, have the confidence, have the security, that he can look after himself and his wife when it comes to their health care needs.

And that is something that has existed in every other industrialized country in the world except the United States—up until this year. Think about that. We're the wealthiest nation on Earth; every other country had that basic security except us.

And what we did was we didn't do anything radical. We didn't—contrary to our critics, this wasn't socialized medicine. We built off the private, employer-based system that we already had. But we said, you know what, we're going to fill these gaps so that everybody has some security, so that you have no parent out there who's thinking, I'm not sure I can afford to take my child to a doctor, even though she's not feeling well; there's nobody out there who, they lose their job at 55 and suddenly are thinking, you know what, for 10 years I've got to go without health insurance; there's nobody out there who, because they had a preexisting condition—if somebody like Fran, who had been stricken with breast cancer, who right now, if Fran was working rather than retired and tried to get insurance right now, she might be prohibited. She might not be able to get health insurance.

Well, that's just not—that's not right. It's not reflective of the values of our country. That's why we changed it. And that's why we are going to fight any effort to go back to a system that doesn't work for the American people and doesn't work for our seniors.

Thank you so much, everybody. God bless you.

Secretary Sebelius. Thank you, Mr. President.

NOTE: The President spoke at 11:41 a.m. at Holiday Park Multiservice Senior Center. In his remarks, he referred to Frances L. Garfinkle, who introduced the President; Gov. Martin J. O'Malley of Maryland; and talk show host Oprah Winfrey.

Categories: Addresses and Remarks : Health care reform :: Wheaton, MD.

Locations: Wheaton, MD.

Names: Cardin, Benjamin L.; Edwards, Donna F.; Garfinkle, Frances L.; Holder, Eric H., Jr.; Mikulski, Barbara A.; O'Malley, Martin J.; Orszag, Peter R.; Sebelius, Kathleen; Van Hollen, Christopher; Winfrey, Oprah; Yurkas, Dennis.

Subjects: Budget, Federal : Congressional spending restraint; Budget, Federal : Deficit; Budget, Federal : Fiscal year 2011 budget; Budget, Federal : Government programs, spending reductions; Business and industry : Corporate executives, compensation packages; Business and industry : Small and minority businesses; Economy, national : American Recovery and Reinvestment Act of 2009; Economy, national : Improvement; Economy, national : Recession, effects; Employment and unemployment : Job creation and growth; Employment and unemployment : Job losses; Employment and unemployment : Unemployment rate; Health and Human Services, Department of : Secretary; Health and medical care : Cost control reforms; Health and medical care : Employer-based health insurance coverage; Health and medical care : Generic drug production, duration of patent restrictions; Health and medical care : Generic prescription drugs, approval process, improvement efforts; Health and medical care : Health Care Fraud Prevention and Enforcement Action Team (HEAT); Health and medical care : Health insurance exchange; Health and medical care : Health insurance reforms; Health and medical care : Health insurance, protection of coverage; Health and medical care : Home health care agencies and programs; Health and medical care : Hospitals :: Reimbursement for treatment of uninsured patients; Health and medical care : Information technology; Health and medical care : Insurance coverage and access to providers; Health and medical care : Medical fraud and negligence, efforts to combat and prevent; Health and medical care : Medicare Advantage Plans, elimination of overpayments; Health and medical care : Medicare and Medicaid; Health and medical care : Patient Protection and Affordable Care Act; Health and medical care : Physicians :: Medicare and Medicaid reimbursement; Health and medical care : Prescription drugs, purchasing efficiency; Health and medical care : Preventive care and public health programs; Health and medical care : Primary care physicians, shortages; Health and medical care : Seniors, independent and assisted living options, increase; Health and medical care : Seniors, prescription drug benefits; Health and medical care : Small businesses, tax credits to purchase insurance coverage; Justice, Department of : Attorney General; Management and Budget, Office of : Director; Maryland : Governor; Maryland : President's visits; Social Security and retirement : Social Security program.

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